



THE NATURE OF THE CAMBRIDGE HETERODOXY

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the nature of the cambridge heterodoxy

NUNO ORNELAS MARTINS*

Résumé

Dans cet article, je discute de la manière dont le réalisme critique en économie peut contribuer à l'élaboration d'une théorie économique et sociale alternative. Les contributions de la tradition de Cambridge en économie, qui a également influencé le réalisme critique en économie, se révéleront précieuses dans ce contexte. Je ferai valoir que, même si une reprise précoce de l'économie politique classique dans la tradition de Cambridge se concentre sur la reproduction des structures économiques, le réalisme critique en l'économie s'est intéressé, quant à lui, à la reproduction des structures sociales. Ce dernier permet ainsi la reprise d'un cadre qui existait au sein de l'économie politique classique, et qui fut porté à son stade le plus avancé par Marx. Ce cadre est axé sur la reproduction économique d'un surplus, et sur sa distribution (institutionnelle) à travers les différentes classes sociales sous une structure sociale. L'ontologie sociale du réalisme critique nous permet de comprendre pourquoi l'étude de la reproduction d'un système (relationnel) est le meilleur point de départ pour le développement de la théorie économique et sociale.

Mots clés : réalisme critique, tradition de Cambridge, ontologie sociale, politique économique classique

Abstract

In this paper I discuss how critical realism in economics can help under-labouring for an alternative economic and social theory. The contributions of the Cambridge tradition in economics, which also

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influenced critical realism in economics, will prove most useful for developing an alternative economic and social theory. I will argue that while an earlier revival of classical political economy in the Cambridge tradition focused on the reproduction of *economic* structures, critical realism in economics has been concerned with the reproduction of *social* structures. I will discuss how these projects recover the framework that existed within classical political economy, and was brought to its most advanced stage by Marx. Such a framework focused on the economic reproduction of a surplus, and on its (institutional) distribution through the various social classes under a given social structure. The social ontology of critical realism enables us to understand why the study of reproduction of a (internally related) system is the best starting point for the development of economic and social theory.

Keywords: Critical realism, Cambridge tradition, social ontology, classical political economy

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INTRODUCTION

Geoffrey Harcourt (2003) refers to three key characteristics in John Maynard Keynes' thinking which are relevant for understanding the Cambridge economic tradition: the whole is more than the sum of the parts; agents act in a context of inescapable uncertainty; and the existence of a plurality of languages.

The fact that the whole is more than the sum of the parts can be seen as a consequence of the fact that each part is also constituted by the relation in which it stands to other parts of a whole. This type of relation can be termed *internal relation*, and has been much discussed by philosophers in Cambridge for a long time, not least under the influence of British idealists like F. H. Bradley (who was at Oxford) and J. E. M. McTaggart (who was at Cambridge), amongst others, who developed the philosophy of internal relations of Friedrich Hegel. Alfred Marshall was influenced by this Hegelian perspective, as Simon Cook (2009) notes, and it played an important role in the formation of the Cambridge economic tradition, shaped by Marshall.

The notion of *internal relation* has been recently recovered in Cambridge within critical realism in economics. Lawson (2003, p. 17) writes: "Aspects or items are said to be internally related

when they are what they are, or can do what they do, by virtue of the relations in which they stand". It is not sufficient to have the sum of the parts, if we do not include also the (internal) relations between the parts.

Another fundamental idea developed within critical realism in economics is the distinction between closed systems and open systems. Closed systems are systems in which constant conjunctions of the form "if event X then event Y" are ubiquitous, and open systems are those in which this is not the case. According to Lawson (1997, 2003), the social realm is characterised by internal relations and open systems.

The question that follows is how to study reality, if the latter is open, and internally related in complex ways. This is a problem that was addressed early on within the Cambridge economic tradition. Marshall (1920[1890]) provided his method of partial equilibrium as a solution for the problem of internal relations. Piero Sraffa criticised this approach, and developed an alternative way for taking into account internal relations, while engaging in a revival of classical political economy.

I argue that while the revival of political economy in the Sraffian branch of the Cambridge tradition focused on the reproduction of *economic* structures (essentially on the reproduction and distribution of the economic surplus), critical realism in economics has been concerned with the reproduction of *social* structures, which take place through the activity of social agents, as they reproduce the *economy* and *society*. In so doing, these different projects attempt to recover the framework of classical political economy, as brought to its most advanced stage by Marx. And they are underpinned by an ontological conception which has been elaborated more systematically by Lawson (1997, 2003).

THE METHODOLOGY OF CRITICAL REALISM IN ECONOMICS

According to critical realism in economics, ontology is the study of the nature and structure of reality. Ontology is inherently a *critical* project, in the sense that it looks for the conditions of possibility of events, by questioning our conceptions about reality, rather than by

simply positing (uncritically) a given conception. In ontological enquiry, conditions of possibility need not be found only in the subjective categories of our understanding, which we use when reasoning (as in Immanuel Kant's critical, but idealist, approach). The question is not only how must our mind be like in order for certain experiences to take place, but also what must *reality* (including our mind) be like. To do so, we must also recognise the existence of an intransitive reality outside our conceptions, which is expressed by our conceptions. Our conceptions, however, are transitive, subject to revision through critical scrutiny.

Such a critical and realist approach is in stark contrast with approaches that simply assume a certain set of methods or postulates which are not (critically) questioned. Mainstream economics, for example, is characterised by a given type of methods, namely mathematical-deductivist methods, which are uncritically accepted—see Lawson (1997, 2003). These methods have been successfully employed in the natural sciences, where mathematical regularities exist (as in astronomy) or can be achieved through experimental control, so that underlying structures, powers, mechanisms and tendencies are identified. But these methods have performed poorly in the analysis of social reality, leading to the failure of mainstream economics, where a critical assessment of these methods has not been made.

In the social realm, we cannot create experiments in a laboratory as in the natural sciences, since a closed system cannot be constructed. We must rather wait until underlying structures, powers, mechanisms and tendencies become manifest, typically in partial and inexact regularities, that Lawson (1997, 2003) calls “demi-regularities”, and as Lawson (1997, 2003) notes, Nicholas Kaldor called “stylised facts”. And while in a natural experiment we create contrasts between different experimental settings (in order to identify the underlying structures, powers, mechanisms and tendencies that trigger certain events), in social sciences we must wait until contrasting demi-regularities emerge, in order to develop economic and social theories about reality.

A question that arises in this context is which alternative theory, or theories, can this (critical realist) method lead to in order to providing a better explanation of reality. In this article I will provide an illustration of how critical realism can help us developing an

alternative economic and social theory. This does not mean that the theory to be elaborated here constitutes *the* critical realist theory. Critical realism, as a philosophy or methodology, can only underlabour for the development of substantive theories, and must be supplemented by further empirical claims, as Lawson (2003) notes.

For developing an alternative economic theory, the contributions of the Cambridge tradition in economics, which also influenced critical realism in economics, will prove most useful. In fact, the method of focusing on “demi-regularities”, which persist through time, is the classical method, which was recovered by authors of the Cambridge economic tradition in the XXth century—see Pierangelo Garegnani (1984).

THE REPRODUCTION OF THE SOCIO-ECONOMIC SYSTEM

As noted above, Harcourt (2003) systematises three key characteristics in Keynes’ thinking which are relevant for understanding the Cambridge economic tradition: the whole is more than the sum of the parts; agents act in a context of inescapable uncertainty; and the existence of a plurality of languages. The second and third elements that Harcourt identifies are related to the first element. The fact the reality is deeply interconnected, and that we can only grasp a part of reality, leads naturally to the existence of inescapable uncertainty for each agent who can perceive only a part of the whole.

Each part is an *open system* related to the whole, and if the whole is not finite, the whole itself will be also an open system, where uncertainty is always present. This means also that one single method or language is not sufficient to address such a complex reality. Rather, various languages and methods are needed to capture each part of such a complex whole. This is the third characteristic noted by Harcourt.

The question that follows, which was faced by Alfred Marshall (as noted above), is how to grasp reality, if the latter is internally related in complex ways. Marshall (1920[1890], 1923[1919]), whose conception of reality was underpinned by a (Hegelian) relational ontology, provided his method of partial (or particular) equilibrium

as a solution to the problem of internal relations. In Marshall's partial (or particular) equilibrium, we assume that if the time interval is small enough, we can focus only on what Marshall calls the direct effects of a change when looking at a given part of the economic system (for example, when looking at the equilibrium between supply and demand in a particular market), leaving aside the indirect effects. Thus, the method of partial (or particular) equilibrium is feasible for shorter intervals of time, but not for longer intervals of time.

Piero Sraffa criticises this approach, and develops an alternative way to take into account internal relations. Rather than making the interval of time small enough so that nothing happens in between, as Marshall does (inspired in the Newtonian method of differentiation), Sraffa suggests looking at the objective conditions for the reproduction of the economic system as a whole at a given moment in time. So for Sraffa the starting point is the study of the conditions for the reproduction of the *whole* economic system at a given moment, rather than focusing on the effects of changes on a given *part* of the system. By using *reproduction*, rather than *equilibrium*, as our key theoretical concept, we are led back into the theoretical world of the old classical political economists from William Petty to Adam Smith and David Ricardo, which was later recovered by Karl Marx—this issue is discussed in more detail in Martins (2013).

Under such a conception, which focuses on the conditions of reproduction of an interconnected whole, rather than the equilibrium conditions of isolated parts, we reach a different perspective of the economy and society. Prices are seen as the prices that ensure the reproduction of the economic system, i.e., the prices that cover the cost of (re)production, rather than the prices that equilibrate supply and demand. And human agency is studied in terms of the conditions for the reproduction of social activity, rather than as the strategic interaction of isolated agents which leads to the equilibrium of strategies.

The analysis of the reproduction of the economy, and the analysis of the reproduction of society comes together not only in the study of production, and of the division of labour, but also in the study of distribution, through the notion of the surplus. When prices cover more than the cost of (re)production, we have an economic surplus to be distributed. The way in which the surplus is

distributed depends upon the social classes which are reproduced through human activity.

CLASSICAL POLITICAL ECONOMY AND VULGAR POLITICAL ECONOMY

The classical conception was slowly abandoned after Ricardo. After Ricardo, political economy became, especially with Nassau Senior (1836, p. 138), the science that studies the behaviour of an agent who “desires to obtain additional wealth with as little sacrifice as possible” (the latter quotation is Senior’s first postulate of economics). Rather than focusing on the study of the objective conditions of reproduction of economy and society, political economy started to adopt a deductivist approach, in which economic laws are deduced from a set of postulates, such as Senior’s first postulate.

Because Senior’s first postulate states a claim concerning human desires, subjective elements start to play a key role in economic analysis after Ricardo. And since those subjective elements are taken as exogenous data, or initial postulates, from which economic laws are deduced, political economy becomes characterised not only by a subjectivist theory, but also by a deductivist method.

Sraffa following Marx, distinguishes in his unpublished manuscripts between “classical political economy”, as the approach of Petty, Smith and Ricardo, and “vulgar political economy”, which is the approach of Malthus, Senior, Stuart Mill and Cairnes—see Martins (2012a). Since vulgar economy is a movement that refers often to Ricardo’s authority, it is often termed as “Ricardian” economics, and identified with classical political economy. But the method and theory of the classical approach, of Petty, Smith and Ricardo, which was later continued by Marx, was very different from the method and theory of the vulgar approach.

While the vulgar economists explain value in terms of supply and demand, the classical economists try to go beyond supply and demand, towards the underlying causes of value, connected to the cost of production, measured in terms of human labour. This difference can be seen in the exchanges between Ricardo and

Malthus. Thus Ricardo wrote to Malthus, in a letter dated from 9 October 1820:

You say demand and supply regulates value—this, I think, is saying nothing... it is supply which regulates value—and supply is itself controlled by comparative cost of production. (Ricardo, as cited in Kurz and Salvadori 2002, p. 56)

Marx believed that Ricardo's classical theory was a scientific analysis of the nature of value, while supply and demand analysis was a vulgarisation of Smith's insights, which stays only at the level of appearances, without studying underlying causes (namely, the underlying conditions of production, and the labour process) as Petty, Smith and Ricardo did. In this context, Marx writes:

Once and for all I may here state, that by classical Political Economy, I understand that economy which, since the time of W. Petty, has investigated the real relations of production in bourgeois society, in contradistinction to vulgar economy, which deals with appearances only, ruminates without ceasing on the materials long since provided by scientific economy, and there seeks plausible explanations of the most obtrusive phenomena, for bourgeois daily use, but for the rest, confines itself to systematising in a pedantic way, and proclaiming for everlasting truths, the trite ideas held by the self-complacent bourgeoisie with regard to their own world, to them the best of all possible worlds. (Marx 1999[1867], p. 493)

Economics takes a decisive step in the deductivist and subjectivist direction, initiated with the vulgar approach, with the marginalist revolution, when authors like Carl Menger, Stanley Jevons, and Leon Walras, take subjective preferences, and marginal utility in particular, to be the source of value.

While classical political economy focused on human labour as the source of value, marginalism focused on subjective utility. While labour can be, and in fact often is, a social activity, subjective utility is always the utility of an individual, as Luigi Pasinetti (1993) explains. So while the classical framework, of reproduction and distribution of a surplus produced by labour, can be combined with a social theory that presupposes a social agent placed in a given social structure (an aspect that can be seen more clearly in Marx's development of classical political economy), the marginalist theory

led to a framework which relied upon an irreducible methodological atomism, starting from the notion of an individual who engages in exchange in order to optimise the individual's subjective utility. Jevons and Walras suggest also the adoption of mathematical methods within economics, anticipating the mathematical revolution that took place during the twentieth century, turning economics into a discipline characterised by mathematico-deductivist methods.

Marginalism, being concerned essentially with the activity of optimisation of isolated individuals, leads to a fundamentally static approach, where economics aims at searching for equilibrium. Classical political economy, in contrast, was concerned with the reproduction of the mode of production, and of social classes, in a dynamic approach to reality. We can further elaborate the distinction between classical political economy and vulgar economy by focusing on their differences in terms of the theory of value, theory of agency, and theory of well-being.

In terms of the theory of value, the key difference was that, for classical political economy, value depends upon the conditions of production (and thus prices tend to the cost of production, measured in terms of human labour), while vulgar economy was already heading towards a perspective where value is determined by the interaction between supply and demand, which was only fully achieved later, in Marshall's neoclassical economics. After Marx, it was Sraffa (1960) who engaged in a more consistent rejection of the vulgar conception, and development of the classical conception, as Ronald Meek (1961) argues.

In terms of the theory of agency, for classical political economy human action presupposes an existent social structure, constituted by social classes. Vulgar economy, on the other hand, adopts a methodological individualism, where society can be totally explained in terms of the interaction of self-interest seeking individuals (who create society through social contract). While for classical political economists the human individual is already a *social* being, in vulgar economy the starting point is the *isolated* individual. After Marx, the classical conception has been developed by many authors, not least within critical realism in economics. The vulgar conception, in contrast, underpins contemporary mainstream economics.

In terms of the theory of well-being, for classical political economy there is a multidimensional conception of well-being, where the latter depends upon several activities, and the achievements of human beings in various dimensions. This conception appears more clearly in the writings of Smith and Marx. In vulgar economy, on the other hand, well-being is seen in terms of one dimension, namely in terms of the subjective pleasure, or the utility, which is brought by any activity. After Marx, the classical conception is developed more clearly by Amartya Sen, who also criticises mainstream economics and its reliance on the vulgar (utilitarian) conception of well-being. Vivian Walsh (2000) and Hilary Putnam (2002) indeed argue that while Sraffa's revival of the classical theory of value was a first stage of a revival of classical political economy, Sen's revival of the classical theory of well-being was a second stage of a revival of classical political economy.

These different conceptions at the level of the theory of value, theory of agency, and theory of well-being, spring also from the fact that classical political economy was grounded on an objective analysis, while vulgar economy was grounded on a subjective analysis. Thus, for the classical theory of value, value was determined by the objective conditions of production. But for vulgar economic theory, the subjective preferences that shape demand are an ultimate (exogenous) determinant of value.

The emphasis on subjectivism brought subjective self-interest as the starting point of the vulgar (and marginalist) theory of agency, and subjective well-being as the starting point of their theory of well-being. For classical political economy, on the other hand, the starting point for the theory of agency is not the subjective self-interest of the isolated individual, but social classes which have an objective existence. And for classical political economy, human well-being depends upon objective human achievements in various objective activities, not upon subjective preferences.

Vulgar economy started thus a deductivist and subjectivist approach, where economic activity is studied in terms of the behaviour of individuals who pursue self-interest, and where all results are deduced from this postulate concerning human behaviour, and where subjective preferences are taken uncritically as exogenous data, from which equilibrium results are deduced.

ALTHUSSER AND CRITICAL REALISM

The contemporary distinction between heterodox economics and mainstream economics can be seen as a continuation of the earlier distinction between classical political economy and vulgar economy elaborated above. Lawson (2003) argues that the social ontology presupposed by the various heterodox traditions is a similar one: it is a social ontology which presupposes that human agents continuously reproduce and transform an underlying social structure, and slot into the (internally related) social positions that are part of the social structure. This social ontology is clearly closer to Marx's development of classical political economy, than to the self-interest seeker of vulgar economy.

Lawson (2003, 2006) provides a general social ontology which systematises these views of heterodox economists on economic institutions, and which contrasts with the methodological individualism that underpins mainstream economics. In fact, we can say that while the revival of classical political economy in the Cambridge tradition, led by Sraffa (1960), focused on the reproduction of *economic* structures (essentially on the reproduction and distribution of the economic surplus), critical realism in economics has been concerned with the reproduction of *social* structures. And this process takes place through the activity of social agents, as they reproduce the *economy* and *society*.

In so doing, these different projects within the Cambridge economic tradition can be interpreted as a return to the framework of classical political economy, as developed to its more elaborate stage by Marx: a framework that focused on the economic reproduction of a surplus, and on its (institutional) distribution through the various social classes under a given social structure.

In this sense, Sraffa's revival of classical political economy and critical realism in economics have been concerned with the same type of (dynamic) phenomenon, namely the reproduction of the economy and society, with Sraffa's revival of classical political economy focusing on the economic system, and critical realism focusing more on society, or on both the economy and society (while also systematising the ontological underpinnings of the heterodox traditions). Hence both approaches seem to be not only compatible, but also complementary.

The systematisation of the ontological underpinnings of the heterodox economic traditions led Lawson to develop a project on social ontology, which was influenced both by the work of heterodox economists, and by the philosophy of critical realism (Bhaskar 1997[1975], 1998[1979]), which helped systematising the ontological underpinnings of those economists, in search of a more realist approach to economics (Lawson 1997, p. xiii).

The project of critical realism was initiated with Roy Bhaskar's 1975 book *A Realist Theory of Science*, and was developed by many other authors subsequently—see Archer, Bhaskar, Collier, Lawson and Norrie (1998) for an important collection of texts. Critical realism provides a development of Marx's social theory and philosophy. However, Marx's social theory had been further elaborated by many Marxist authors before. And critical realism is strongly influenced by the developments of Marxist social theory, more precisely, the developments undertaken by Louis Althusser.

The influence of Althusser appears in some references that critical realists make to Althusser—for example, in Bhaskar (1998[1979]) or Collier (1989). But Althusser's influence appears in a clearer way in the critical realist ideas. Bhaskar's (1997[1975]) theory of knowledge, where knowledge is a produced means of production of further knowledge, is very similar to Althusser's conception of practice. Althusser writes:

By *practice* in general I shall mean any process of *transformation* of a determinate given raw material into a determinate *product*, a transformation effectuated by a determinate human labour, using a determinate means (of “production”). (Althusser 2005[1965], p. 166)

Althusser (2005[1965], p. 167) also uses this transformational conception for explaining “theoretical practice”, in which the “raw material” consists of “representations, conceptions, facts”. For Althusser (2005[1965], p. 167, original emphasis), theoretical practice includes “*scientific* theoretical practice”, and also “pre-scientific theoretical practice”, that is, “‘ideological’ theoretical practice”.

Althusser reaches a conception of the production of knowledge which is very similar to the one developed afterwards by Bhaskar, and by Lawson. Lawson writes:

knowledge must be recognised as a produced means of production (of further knowledge) and science as an ongoing transformative social activity. Knowledge is a social product, actively produced by means of antecedent social products. (Lawson 1997, p. 25)

Bhaskar and Lawson stress the coexistence of a transitive dimension to knowledge, or epistemology, and an intransitive dimension, or ontology. The transformation of knowledge takes place in the transitive dimension. But the transformational conception, inspired of course in Marx's analysis of the labour process, can also be applied to social practices, as Althusser, and critical realists, do.

The similarities between Althusser and critical realism become clear again if we look at Althusser's theory of ideology. Althusser (2001[1971], p. 119) argues that "ideology hails or interpellates individuals as subjects". According to Althusser (2001[1971], p. 117), "the category of the 'subject' is constitutive of ideology, which only exists by constituting concrete subjects as subjects". An individual becomes a subject when interpellated, while assuming the role of the subject, which is a social position within the realm of ideology. The emphasis on the reproduction of social structures, constituted by social positions into which human individuals slot (becoming constituted as "subjects", as Althusser notes) is a crucial similarity between Althusser and critical realism.

Althusser (2001[1971], pp. 85–90) starts his famous essay on "Ideology and Ideological State Apparatuses" with a study of the reproduction process, focusing on the reproduction of the means of production, and the reproduction of labour-power. Althusser (2001[1971], p. 86) refers to "the genius of Quesnay", who posed the problem of reproduction, and "the genius of Marx, who solved it." Effectively, as Sraffa (1960, p. 93) explains, "[i]t is of course in Quesnay's *Tableau Economique* that is found the original picture of the system of production and consumption as a circular process", that is, the study of the economic process reproduction that Marx and Sraffa develop.

While Sraffa focused on the reproduction of the economic process, Althusser addresses the conditions of reproduction at the level of social structures. Indeed, the whole essay "Ideology and Ideological State Apparatuses" can be interpreted as a study of the

conditions of reproduction at the level of ideology, which are also essential for the reproduction of the capitalist process.

The same can be said of the critical realist transformational model of social activity, developed by Bhaskar, Lawson and others (see Archer *et al.*, 1998), which explains the reproduction of social structures, in a conception where social structures are constituted by social positions, each attached to social rules, where individuals slot into these positions, as noted above. If we replace “social structures” by “ideology”, and “social positions” by “ideological subject”, we have a translation of critical realist language into Althusserian language. And the underlying idea, that human activity presupposes a set of social or ideological preconditions, is the same in both cases.

GRAMSCI AND ALTHUSSER

Althusser notes that he was not the only one to develop Marx’s insights in this way. When Althusser develops his Marxist approach, he sees it as a continuation of a project initiated by Marx and Engels, and continued by Antonio Gramsci. Thus Althusser writes:

Who has *really* attempted to follow up the explorations of Marx and Engels? I can only think of Gramsci. (Althusser 2005[1965], p. 114, original emphasis)

But if only Gramsci has really followed Marx and Engels, and if Althusser is also trying to follow them, as Althusser claims to be doing, it becomes clear that Althusser sees his project as a continuation of a project that had only been continued before by Gramsci. Althusser also notes:

To my knowledge, Gramsci is the only one who went at any distance in the road I am taking. He had the ‘remarkable’ idea that the State could be reduced to the (Repressive) State Apparatus, but included, as he put it, a certain number of institutions from ‘*civil society*’: the Church, the Schools, the trade unions, etc. Unfortunately, Gramsci did not systematize his institutions, which remained in the form of acute but fragmentary notes. (Althusser 2001[1971], p. 95, original emphasis)

This does not, of course, mean that Althusser believes that his project is entirely similar to Gramsci's. A difference that Althusser notes between his conception and Gramsci's is the scope of the analysis. Althusser writes:

But it should be realized that Gramsci's concept of the *intellectual* is infinitely wider than ours, that is, it is not defined by the idea intellectuals have of themselves, but by their social *role* as *organizers* and (more or less subordinate) *leaders*. (Althusser 2005[1965], p. 105n)

If this is so, Gramsci's conception was quite close to the critical realist relational ontology. For Gramsci focuses on the social role, that is, on the social position, that each agent has. For Gramsci, human action presupposes the existence of social relations, but human agents are themselves changed by social relations:

Human nature is the ensemble of social relations that determines a historically defined consciousness, and this consciousness indicates what is "natural" and what is not [and human nature is contradictory because it is the ensemble of social relations].

People also speak of "second nature"; a certain habit becomes second nature, but was the "first nature" really "first"? Is there not in this commonsense mode of expression some indication of the historicity of human nature? (Gramsci 1975, Notebook 8, paragraph 151)

Gramsci's point here is the same which is made by Lawson (2009, p. 102) when he argues that "human beings are not so much socially embedded as in large part socially constituted". Starting from Marx's notion that "Human nature is the ensemble of social relations", Gramsci reaches the conclusion that human nature, like human consciousness, is a historically specific fact:

That "human nature" is the "ensemble of social relations" is the most satisfying answer, because it includes the idea of becoming—man becomes, he changes continuously with the changing of social relations—and because it negates "man in general". Indeed, social relations are expressed by diverse groups of man that presuppose one another, and their unity is dialectical, not formal. Man is aristocratic insofar as man is a serf, etc. (Gramsci 1975, Notebook 7, paragraph 35)

Here, Gramsci is pointing towards not only the fact that, as Lawson (2003, p. 43) also argues, “social reality is a *process*”, but also to the fact that social positions are internally related.

Gramsci was much influenced by the philosopher Henri Bergson, who influenced philosophers like Alfred North Whitehead. Inspired in Bergson, Whitehead (1929) developed a conception of reality as a process, and in so doing elaborated a philosophy of internal relations that was very influential in Cambridge. In fact, Bergson influenced the whole Cambridge philosophical environment through Wildon Carr, who translated Bergson’s contribution to English.

Gramsci was sometimes accused of Bergsonian idealism by other Marxists. But noted above, Althusser argues that Gramsci is the only author who travelled the road that he, Althusser, is travelling. And Althusser also believes that this the only road where we really find a development of the project of Marx and Engels, as noted above, since he writes that only Gramsci developed the explorations of Marx and Engels. If we put these claims together (that only Gramsci developed the perspective Althusser is developing, and that only Gramsci followed the path pioneered by Marx and Engels, without however systematising his institutional analysis), the logical conclusion is that Althusser developed the only systematic elaboration of Marxism that really is in line with Marx and Engels.

This is a strong claim, which I will not elaborate here, since this is a very complicated topic for addressing in the context of the present article. For the purposes of the present article, it is sufficient to note that Althusser’s project consists in a development of Marx’s social theory that focuses on the reproduction of ideology and institutions. That is, Althusser’s project is a development of Marx’s analysis of the reproduction of social structures.

But the reproduction of social structures, constituted by social positions into which human individuals slot, is precisely what Bhaskar, Lawson, and many other critical realists develop within the transformational conception of social activity. We can thus see how critical realism is in line with Marx’s social theory, as developed by the authors who were particularly concerned with the role of ideology, like Gramsci and Althusser. Just like Sraffa develops classical economic theory starting from where Marx left it, so does

critical realism continue the social theory that was already being developed by Marx.

Sraffa himself also had a conception of social activity much influenced by Gramsci, as John Davis (2002) and Amartya Sen (2003) argue. But in his published writings, Sraffa addressed only the conditions for the reproduction of economic activity. Within the Cambridge tradition, the conditions for the reproduction of social activity were developed only much later, within Lawson's social ontology. And in both cases (of Sraffa and Lawson), we find a development of a perspective initiated with classical political economy, and brought to its more advanced stage by Marx.

Of course, Marx was not the only important influence for the way critical realism was developed within economics. Many economists of the Cambridge tradition are relevant to understanding this project too. Lawson's project has been based in, and mostly associated with, Cambridge, and naturally we find not only key classical political economists like Smith and Marx in the list of important influences Lawson (1997, p. xiii) names, but also many Cambridge economists such as Keynes, Dobb, Marshall or Kaldor, or economists strongly influenced by the Cambridge economic tradition like Shackle. Also, other economists mentioned, such as Menger and Hayek, are in fact criticised by Lawson, due to their subjectivist approach, where subjective conceptions are taken as exogenous data, rather than critically scrutinised.

In critical realism in economics, we have a critical methodology, which studies the conditions of possibility underlying our conceptions of reality, rather than a deductivist methodology that simply takes subjective conceptions as exogenous data from which economic laws can be deduced. This critical methodology is connected to a theory of reproduction of a whole, rather than a theory of equilibrium between isolated parts. And we also have an objective approach to reality, where ontological categories cannot be reduced to our epistemological, or subjectivist, conceptions. In fact, even our subjective wants must be distinguished from our objective needs, within critical realism. Thus subjective wants, or preferences, cannot be the basis of an economic or social theory, as Lawson (1997) notes in his critique of Menger and Hayek.

And because reality is dynamic, open and interconnected, mathematical-deductivist methods, such as those pioneered by

Jevons and Walras, and later developed within mainstream economics especially throughout the twentieth century, are also found to be inappropriate—see Martins (2012b) for a discussion. In this sense, we have in critical realism a criticism of both branches of marginalism (not only of Menger's branch, due to its subjectivism, but also of Jevons and Walras, due to the mathematisation of reality). We have in critical realism a return to the elements of classical project that Marx also tried to develop, where economics is the critical study of the conditions of reproduction of economy and society, rather than a deductivist exercise which takes subjective preference as exogenous data.

ONTOLOGY AND THE CAMBRIDGE TRADITION

Another important connection between the revival of classical political economy in the Cambridge tradition, and critical realism, concerns the topic of ontology. Remember Harcourt (2003) identified three key characteristics of Keynes' thinking especially relevant for the Cambridge economic tradition: the idea that the whole is more than the sum of the parts; the idea that agents act in a context of inescapable uncertainty; and the existence of a plurality of languages.

These three key ideas are exactly the same Lawson is developing in critical realism: the idea that the whole is more than the sum of the parts is conceptualised in critical realism through the notion of internal relation; the idea that agents act in a context of inescapable uncertainty is conceptualised in critical realism as a case of an open system; and the existence of a plurality of languages is something Lawson accepts when attempting to provide a pluralist ontological framework that can accommodate the various heterodox traditions.

The nature of the Cambridge heterodoxy can be found at this ontological level. The theories which can then be developed are best seen as a consequence of this ontological conception, which leads to:

- a critical (rather than a deductivist) methodology;
- a theory centred on reproduction (rather than on equilibrium);
- a realist and objective (rather than a subjectivist) conception of reality.

A central theoretical concept for understanding the more substantive aspects of the reproduction of the economy and society is the social surplus, which is the part of production that is not necessary for the reproduction of the existing socio-economic system. The distribution of the social surplus, a central aspect for the Cambridge economic tradition, is essential for understanding not only the reproduction of the economy, but also the reproduction of society. It is through the explanation of the distribution of the surplus that we can understand the economic and social structure, including the dynamics of capitalism, and the stratification of society.

The ontological notion of internal relation leads us to a study of the conditions of reproduction of the economy and society as a whole, rather than a study of a given part while assuming everything else constant as Marshall does. In the study of society, it helps us understanding how the distribution of the surplus depends on a network of internally related social positions which constitute the social classes that share the surplus. But the notion of internal relation can also help us understanding the notion of the surplus.

For at the level of the economy, once we see the surplus as a whole, we can then understand how it becomes divided in its component parts, namely wages, profits and rent, which are however internally related, in the sense that changes in one of those components influences the other. This internal relation between the components of the surplus was essential to Ricardo and Marx.

Unlike Ricardo, Malthus sees the components of the surplus (wages, profits and rent) as independent from each other, and formed through the interaction between supply and demand. And after Ricardo, costs of production are seen as the sum of these three independent components, rather than seen in terms of the reproduction of the economic process in its totality, as for Ricardo, Marx, and later Sraffa.

This is a key reason why Marx distinguishes the “classical” political economy of Ricardo from the “vulgar” economy of the authors who came after Ricardo, whose approach is often (misleadingly) named “Ricardian” economics. For classical political economy the notion of the surplus is the starting point to understanding its (internally related) component parts, and the reproduction of the economy and society.

For vulgar economy, in contrast, prices are explained in terms of supply and demand, including the component parts of costs of production (namely, wages, profits and rent) which are seen as independent components. As Garegnani (1984) explains, Ricardo brought consistency by drawing attention to the surplus as the starting point to our understanding of value, going beyond Smith's adding-up theory of prices, where prices are explained in terms of the sum of their components (as Malthus would also do).

Remember that, as Meek (1961) argues, Sraffa engaged in a revival of the classical theory of value. Walsh (2000) and Putnam (2002) further argue that after Sraffa's revival of the classical theory of value, we have a revival of the classical (multidimensional) theory of well-being in the contributions of Sen, in what constitutes, according to them, a second stage of the revival of classical political economy—see Martins (2011).

Indeed, Sen's (1985) capability approach helps us distinguishing between basic capabilities (essential for achieving a certain standard of living) and unnecessary luxuries, as Walsh (2000) notes. Thus, Sen's capability approach enables us to define a given standard of living, so that we define the surplus as the part of production that is not necessary for achieving such a standard of living, constituted by what Sraffa (1960, p. 7) called "luxury commodities". The deductivist and subjectivist approach of mainstream economics, in contrast, assumes that consumers are never satisfied (and deduce economic laws from this assumption on subjective preferences), leading to a scarcity theory instead of a surplus theory.

I would add that Lawson's contribution constitutes a third stage of this revival within the Cambridge tradition, but this time centred not on the theory of value (as Sraffa's revival), nor on the theory of well-being (as Sen's revival), but on the theory of agency, that is, in social theory. Once we see the contemporary distinction between heterodox economics and mainstream economics as a continuation of Marx's distinction between classical political economy and vulgar economy, Lawson's engagement with heterodox economics is more clearly seen as a continuation of the revival of classical political economy. And the ontology developed within Lawson's project helps us to understand many aspects of the previous revivals.

For example, Lawson's conception of internal relation helps us understanding how the various components of value are internally

related, as Ricardo, Marx and Sraffa saw, and hence prices cannot be obtained by simply adding up (supposedly) independent components. The notion of internal relation helps us seeing how well-being cannot be seen in unidimensional terms, because the various “functionings” achieved by human beings cannot be simply added up in order to achieve a unidimensional measure of utility, as Sen (1985) argues, when proposing his capability approach. In fact, the notion of internal relation, which Lawson (1997, 2003) has recently recovered, is essential for an understanding of the Cambridge economic tradition since Marshall.

CONCLUDING REMARKS

The heterodox wing of the Cambridge economic tradition can be best interpreted as a revival of the *economic* theory of classical political economy, with more recent contributions like critical realism in economics engaging in a revival of the *social* theory of classical political economy. Lawson (2006) proposes a conception which systematises the ontological underpinnings of heterodox economics. But for understanding the contemporary problems of capitalism, we must also return to the more substantive revival of the classical economic theory that took place within the Cambridge economic tradition.

Mainstream economics, following the vulgar tradition, emphasises the inevitability of scarcity, and indeed defines economics as the study of the optimal allocation of scarce resources. For if subjective preferences are taken to be the source of value, and if the former are never totally satisfied, scarcity becomes inevitable. While scarcity was the central notion for vulgar economy, the central concept for classical political economy was the surplus. Moving from a (vulgar) scarcity theory to a (classical) surplus theory opens new possibilities for economics. And for engaging in a fuller revival of classical surplus theory, which was led to its more advanced stage by Marx, we must focus not only on the theory of value (as Sraffa does) and the theory of well-being (as Sen does), but also on the theory of agency (as Lawson does).

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